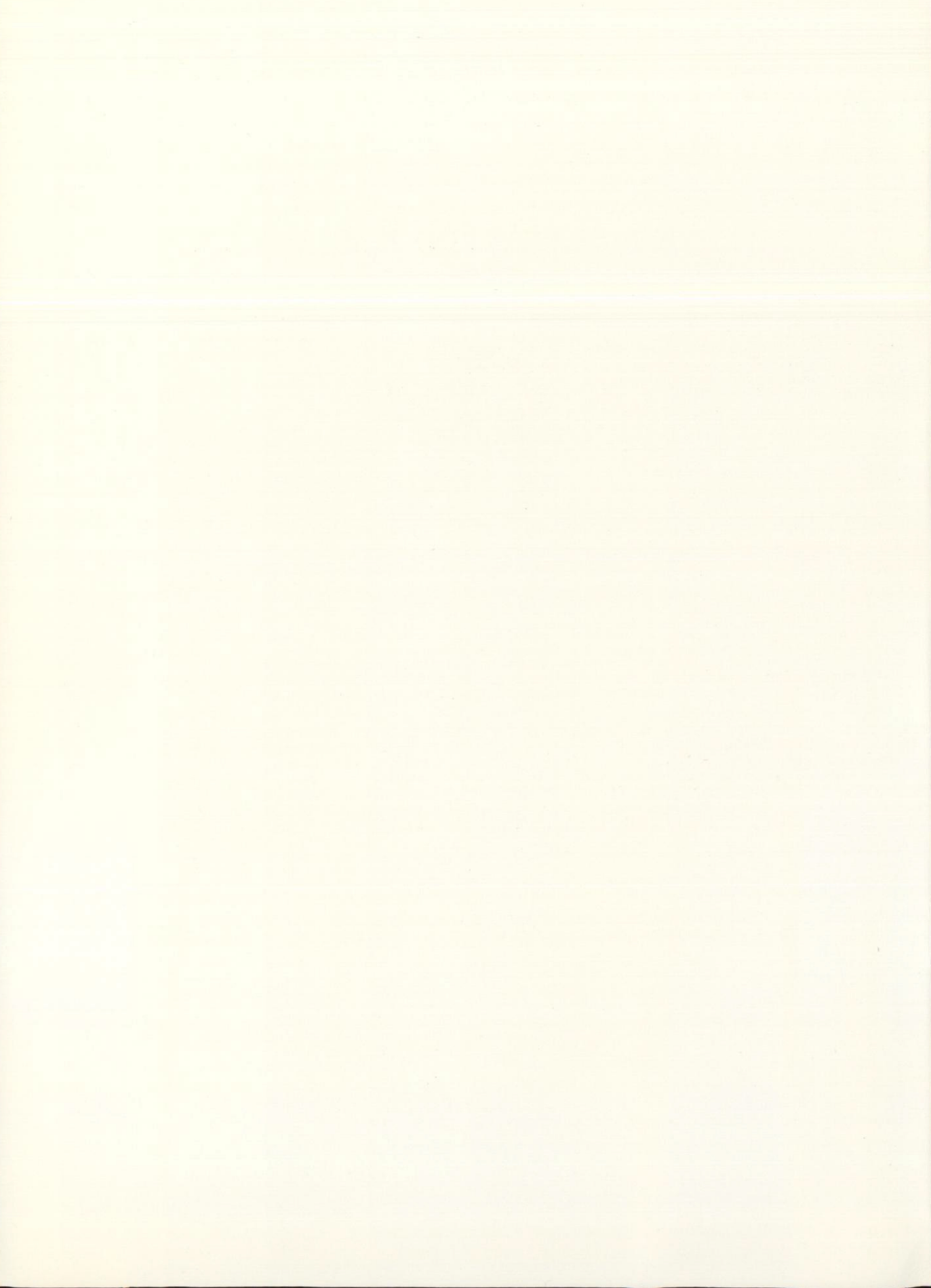


HART SCHAFFNER & MARX



Forty-third Annual Report
November 30, 1953



EXECUTIVE OFFICES

36 SOUTH FRANKLIN STREET
CHICAGO 6, ILLINOIS



BOARD OF DIRECTORS

EUGENE BASHORE	JOSEPH HALLE SCHAFFNER
JOHN D. GRAY	JOEL SPITZ
MEYER KESTNBAUM	CLAY E. STEELE
HARRY L. WELLS	



OFFICERS

MEYER KESTNBAUM	President
JOHN D. GRAY	Vice-President
MORRIS GREENBERG	Vice-President
BERNARD A. RITTERSPORN	Vice-President
MARIO CIUCCI	2nd Vice-President
L. G. JOHNSON	2nd Vice-President
CLAY E. STEELE	Secretary and Treasurer
THOMAS E. DAVISON	Comptroller
MORRIS NEUFELD	Assistant Secretary and Assistant Treasurer



TRANSFER AGENTS

The First National Bank of Chicago
Chicago 90, Illinois
Bankers Trust Company
New York 15, N. Y.

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago
Chicago 90, Illinois
The New York Trust Company
New York 15, N. Y.

HART SCHAFFNER & MARX

CHICAGO

NEW YORK

March 1, 1954

To the Stockholders:

The results of the operations of the company for the fiscal year 1953 are set forth in the accompanying Annual Report. Net profits for the year of \$1,425,196 compare favorably with those of \$1,035,420 for the previous year. Consolidated sales also show an encouraging increase from \$62,263,140 in 1952 to \$68,866,677 in 1953. However, the second half of the year did not live up to the promise of the first six months either with respect to sales or profits.

Results during the second half of the year reflect the moderate downturn in business activity which became evident late in the year and the unseasonably warm weather which affected the apparel industry particularly. This resulted in a more conservative attitude toward inventories on the part of retailers and in smaller advance orders for the Spring 1954 season. The rate of production in our factories is currently below that of last year.

The Balance Sheet at the end of the year shows a reduction in Sinking Fund Debentures of \$510,000. A further payment of \$620,000 will be made on May 31. Bank indebtedness increased by \$1 million over the previous year. As at January 31, however, indebtedness to banks had been reduced to \$4 million which corresponds to the amount owing on the same date of the previous year. Your directors consider it important to build up the working capital of the company and to effect steady reductions in indebtedness through the application of earnings.

There were no important retail acquisitions during the year nor were there extensive improvements to retail properties. Expenditures for improvements and fixed assets

amounted to \$245,118. This is substantially less than the annual charge to depreciation and the smallest amount that has been expended in many years. In connection with plans for the expansion of Wallach's in New York City larger expenditures will be necessary during the current year. The Wallach store now located at 45th Street and Fifth Avenue will be moved some time next Fall into premises leased in a new building now in process of construction on the southeast corner of 46th Street and Fifth Avenue. This will make available a modern store large enough to permit Wallach's to assume a commanding position in the mid-town area. Space for an additional Wallach store has also been leased in the Cross County development in Westchester County.

Although sales are currently showing a slight decline, both at the manufacturing and retail levels, we believe that the prospects for our industry are reasonably good. Prices appear to be stable and inventory adjustments should soon run their course. There is good reason to expect that the industry will develop a more optimistic outlook as the year progresses.

Respectfully submitted,

MEYER KESTNBAUM
President

HART SCHAFF AND SUBSIDIARIES

CONSOLIDATED
as of November 30

Assets

	1953	1952
Current Assets:		
Cash	\$ 2,374,281	\$ 2,291,117
U. S. Government securities, at cost	—	5,000
Notes and accounts receivable—		
Trade, less allowances for doubtful balances and discounts	8,927,293	8,368,206
Other	324,018	292,244
Inventories—		
Factory inventories at cost or market, whichever is lower for current season's goods and estimated realizable value for past season's goods; retail stores' inventories at cost or market whichever is lower computed by the retail method	22,398,507	19,665,039
Prepaid rentals, insurance, supplies, etc.	657,544	604,842
Total current assets	<u>\$34,681,643</u>	<u>\$31,226,448</u>
 Other Assets:		
U. S. Government securities (at cost) on deposit under lease agreements	\$ 62,113	\$ 62,500
Sundry investments (at cost), loans, etc., less reserve	89,833	113,136
Cash surrender value of insurance policies on lives of officers of certain subsidiaries	126,307	132,747
	<u>\$ 278,253</u>	<u>\$ 308,383</u>
 Properties, at cost:		
Building, shop equipment, furniture and fixtures	\$10,281,594	\$10,182,894
Less—Accumulated depreciation	5,081,184	4,633,819
	<u>\$ 5,200,410</u>	<u>\$ 5,549,075</u>
Leaseholds and leasehold improvements, less amortization	5,387,406	5,741,524
Land	748,341	748,341
	<u>\$11,336,157</u>	<u>\$12,038,940</u>
 Goodwill, Trade Names and Trade-Marks,		
At record value	\$ 1	\$ 1
	<u>\$46,296,054</u>	<u>\$43,573,772</u>

FENER & MARX

RY COMPANIES

BALANCE SHEET

0, 1953 and 1952

Liabilities

Current Liabilities:

	1953	1952
Notes payable to banks	\$ 7,070,000	\$ 6,070,000
Sinking fund debentures payable May 31, 1954 and 1953 respectively	620,000	510,000
Accounts payable—		
Trade	3,290,401	2,687,408
Other	976,701	953,057
Accrued salaries, wages and rents	980,709	882,297
Accrued taxes (other than taxes on income)	416,207	382,860
Federal and State taxes on income	1,322,123	644,155
Total current liabilities	<u>\$14,676,141</u>	<u>\$12,129,777</u>

Funded Debt:

3½% sinking fund debentures, due June 1, 1963	\$ 5,385,000	\$ 5,895,000
Less—Amount payable in 1954 and 1953 respectively included in current liabilities	620,000	510,000
	<u>\$ 4,765,000</u>	<u>\$ 5,385,000</u>
Note payable by subsidiary company due January 31, 1956, less \$70,000 included in current liabilities	210,000	280,000
Advance by lessor toward leasehold improvements by subsidiary company payable monthly over lease expiring in 1977	232,121	238,301
	<u>\$ 5,207,121</u>	<u>\$ 5,903,301</u>

Minority Stockholders' Interest

	<u>\$ 132,684</u>	<u>\$ 125,019</u>
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Stockholders' Equity:

Common stock—authorized and issued—375,000 shares par value \$10.00 each	\$ 3,750,000	\$ 3,750,000
Capital Surplus (1953 reduction of \$604 resulting from acquisition of capital stock of subsidiary companies)	2,066,400	2,067,004
Earnings retained for use in the business—		
Appropriated for contingencies	700,000	700,000
Unappropriated, per accompanying statement	20,240,265	19,375,228
	<u>\$26,756,665</u>	<u>\$25,892,232</u>
Deduct—Treasury stock—24,900½ shares	476,557	476,557
	<u>\$26,280,108</u>	<u>\$25,415,675</u>
	<u>\$46,296,054</u>	<u>\$43,573,772</u>

See Notes to Financial Statements.

HART SCHAFFNER & MARX

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND UNAPPROPRIATED RETAINED EARNINGS

For the fiscal years ended November 30, 1953 and 1952

	1953	1952
Net sales and operating revenues	\$68,866,677	\$62,263,140
Dividends from sundry investments, interest and other income	119,668	152,563
Total	<u>\$68,986,345</u>	<u>\$62,415,703</u>
Less:		
Cost of goods sold and occupancy expenses (exclusive of depreciation and amortization)	\$49,436,565	\$45,326,081
Depreciation and amortization	933,992	970,098
Selling, general and administrative expenses	15,128,903	13,809,717
Interest paid	430,030	434,563
Sundry income deductions	1,757	9,241
Minority interest in net profits of subsidiaries	13,422	5,868
	<u>\$65,944,669</u>	<u>\$60,555,568</u>
Income before deducting provision for taxes	<u>\$ 3,041,676</u>	<u>\$ 1,860,135</u>
Provision for taxes on income—		
Federal normal income tax and surtax	\$ 1,580,005	\$ 807,453
State income taxes	36,475	17,262
	<u>\$ 1,616,480</u>	<u>\$ 824,715</u>
Net income for the year	<u>\$ 1,425,196</u>	<u>\$ 1,035,420</u>
Earnings retained for use in the business at beginning of year	19,375,228	18,899,967
	<u>\$20,800,424</u>	<u>\$19,935,387</u>
Dividends paid in cash \$1.60 per share	560,159	560,159
Earnings retained for use in the business at end of year	<u>\$20,240,265</u>	<u>\$19,375,228</u>

See Notes to Financial Statements

REPORT OF ACCOUNTANTS

To the Board of Directors of

Hart Schaffner & Marx:

In our opinion, the accompanying financial statements present fairly the consolidated position of Hart Schaffner & Marx and subsidiary companies at November 30, 1953, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. This opinion is based on an examination of the statements which was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

CHICAGO, ILLINOIS

January 21, 1954

NOTES TO FINANCIAL STATEMENTS

Under the provision of the debenture issue, \$16,097,309 of the total consolidated unappropriated retained earnings at November 30, 1953, is restricted as to payment of dividends.

The unpaid cost with respect to past service benefits under the retirement annuity plan for employees established in 1946 amounted to approximately \$300,000 at November 30, 1953.

As at November 30, 1953, the Company and its subsidiaries occupied properties under seventy-two lease agreements with terms expiring from one to forty-four years after that date, and requiring a minimum rental payment of approximately \$1,739,000 for 1954. Certain of the leases provide for the payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

TEN YEAR

	1953	1952	1951	1950
Net Sales and Operating Revenue	\$68,866,677	\$62,263,140	\$61,672,439	\$59,257,388
Federal Income Taxes Per Share	1,580,005 4.51	807,453 2.31	1,721,211 4.92	1,217,049 3.43
Net Earnings After Federal Income Taxes Per Share	1,425,196 4.07	1,035,420 2.96	1,518,752 4.34	1,647,733 4.65
Dividends Paid in Cash Per Share	560,159 1.60	560,159 1.60	567,412 1.60	780,192 2.20
Earnings Retained in the Business	865,037	475,261	951,340	867,541
Property Additions*	245,118	511,656	1,290,444	2,098,111
Current Assets	34,681,643	31,226,448	31,051,499	29,724,708
Current Liabilities	14,676,141	12,129,777	12,571,725	11,496,923
Net Working Capital	20,005,502	19,096,671	18,479,774	18,227,785
Fixed Assets—Less Depreciation and Amortization	11,336,157	12,038,940	11,902,302	11,357,234
Net Worth Per Share	26,280,108 75.06	25,415,675 72.60	24,387,368 69.66	23,509,594 66.29

*Retail store leasehold improvements and equipment — Real Estate — Factory Building and manufacturing equipment, exclusive of properties acquired through purchase of subsidiary companies.

**During 1949 the company issued an additional \$2,000,000 of 3½% sinking fund debentures, the proceeds from which (less \$485,000 payable in 1950 which is included in current liabilities of 1949) were added to working capital.

SUMMARY

1949	1948	1947	1946	1945	1944
\$57,773,088	\$63,037,888	\$56,527,917	\$45,808,460	\$33,805,246	\$33,814,118
975,298 2.75	2,025,253 5.71	2,307,804 6.51	2,202,476 6.07	2,247,479 6.32	1,851,096 5.20
1,638,746 4.62	2,927,852 8.26	3,284,384 9.26	3,423,126 9.44	1,645,860 4.63	1,392,596 3.91
851,118 2.40	851,118 2.40	855,678 2.40	644,518 1.80	569,252 1.60	426,939 1.20
787,628	2,076,734	2,428,706	2,778,608	1,076,608	965,657
2,419,324	3,476,655	3,203,618	1,632,412	442,079	147,643
24,786,344 5,852,690	28,033,290 10,088,636	22,121,816 9,090,219	20,179,895 6,416,958	16,964,572 4,373,192	16,247,731 3,987,222
**18,933,654	†17,944,654	13,031,597	13,762,937	12,591,380	12,260,509
10,032,562	8,385,328	5,547,903	2,604,087	1,292,600	1,033,227
22,620,580 63.79	21,832,952 61.57	19,756,218 55.71	17,580,661 48.48	14,528,053 41.28	13,451,445 37.81

†In 1948 the company issued \$6,000,000 of 3½% sinking fund debentures, the proceeds from which (less \$400,000 payable in 1949 and included in current liabilities of 1948) were added to working capital.

